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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **February 1987**

YEAR-END REVIEW AND OUTLOOK
Expansion Continues, But Problems Remain

The performance of the Pennsylvania economy in 1986 is hard to label. Some see strength, pointing to solid employment gains and declines in unemployment. Others cite factory job losses, discrepencies in regional growth, and weak income gains as evidence of problems. Most evidence suggests that **the economy did continue to expand, but growth was modest and uneven, leaving much ground to be made up relative to the U.S.** This is in line with our expectations of a year ago, though the growth was more uneven than anticipated. Good news coming from factories in early 1986 was temporary, leaving nonmanufacturing as the dominant driving force behind the economy.

The situation did improve enough to push the jobless rate down from 8 percent in 1985 to 6.9 percent in 1986, the lowest since 1974. The number of unemployed residents dipped by 58,400 to 383,800. As shown in the accompanying chart, this is the lowest level since 1979. **There were more Pennsylvanians employed than ever before, 5.22 million,** a gain of 2.8 percent from a year ago (see chart).

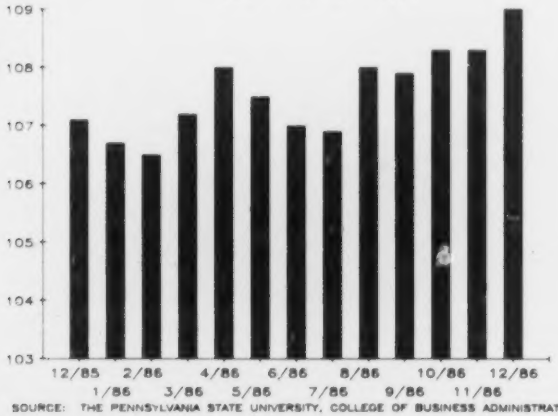
These trends stack up well relative to the U.S. On the employment front, the national advance was 2.3 percent. Individuals counted as unemployed declined 0.9 percent. The nation's 7 percent unemployment rate exceeded Pennsylvania's for the first time since 1975. However, much of the employment increase occurred in the first half of the year. **After a record number of residents were employed in March, the seasonally adjusted level of employment fell in seven of the last nine months of the year.**

Our long-run performance relative to the nation's leaves a great deal to be desired. **Growth in employment and the labor force since before the onset of the recessions of the early 1980s and since they ended has trailed that in the U.S.** (National recessions occurred over the January-July 1980 and July 1981-November 1982 periods. It is risky to derive similar dates for Pennsylvania, but it is fair to assume that comparisons of 1986 activity with 1979 provide an indication of whether or not the Commonwealth has recouped recession-related losses. Comparisons relative to the 1982/83 period provide a good insight into the strength of the recovery.) Employment growth since 1979, at 4.6 percent, is less than one-half the nation's 10.9 percent. Although we have surpassed pre-recessionary levels of employment, we have lost ground relative to the nation. Employment has expanded by 7.1 percent from the trough of the business cycle (the 1982/83 average) compared to the nation's 9.4 percent. In employment terms, the recovery in Pennsylvania has just not been as strong as in the U.S.

One cause of Pennsylvania's relatively poorer showing in terms of labor force growth is that proportionately more people are giving up their search for work and dropping out of the labor force. Population trends suggest that many of these individuals have left the State. Additionally, because of an older labor force, a proportionately larger number of Pennsylvania workers retire from the workforce relative to the U.S.

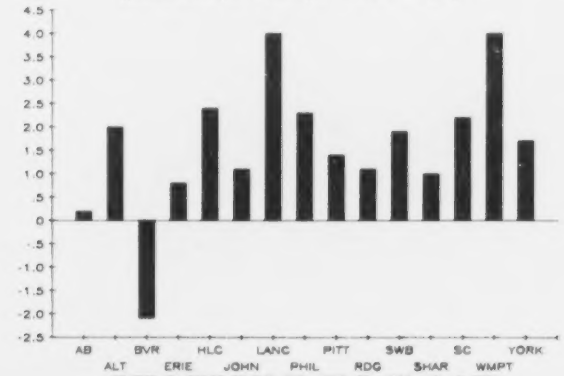
There were 3.77 million jobs in Pennsylvania's nonmanufacturing establishments in 1986, a record high. This represents a 3.3 percent increase, slightly better than 1985's 3.2

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

METROPOLITAN NONAGRICULTURAL JOB GROWTH, 1986
(percentage change from 1985)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

percent advance. Much of the gain occurred in the first half of the year. **Construction activity moved forward at a brisk pace.** Jobs expanded by 5.8 percent to 201,000, the largest number of workers since 1979. Contracts awarded averaged $708.2 million per month, up by one-fifth from 1985. The residential building and nonbuilding categories led the way, spurred by declining mortgage rates and infrastructure improvement projects.

Within the service-producing category, trade, finance, and services carried the bulk of the load. They account for 54.2 percent of all jobs compared to 42.6 percent in 1975. These industries are less vulnerable to foreign competition. Income gains go a long way in determining the health of these industries. Although personal income in the Commonwealth is not increasing as fast as in the nation, it is on the rise. Some industry groups are not restricted to local markets. Their services are often exported to those areas experiencing the fastest economic growth.

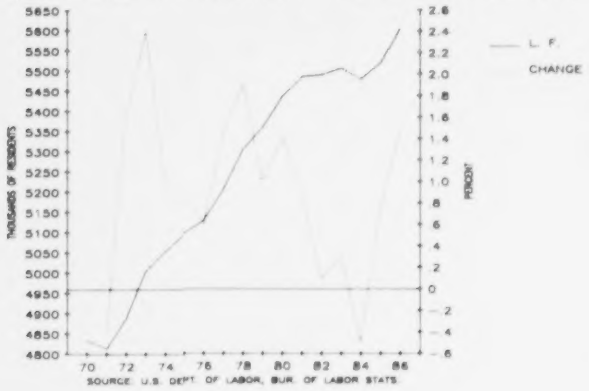
The job picture in the transportation and public utilities group remains cloudy after the number of positions fell for the second consecutive year. Job levels are well below their pre-recessionary readings. Weak population growth has probably put downward pressure on the demand for some services provided. Many of these industries are operating in recently deregulated environments, causing them to cut costs in the face of increased competitive pressures. In the public-sector, attempts at both the State and national levels to control expenditures have held government job growth in check.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,904*	4,899	4,827	4,844*	4,852	4,790	106.1	106.3	104.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,859*	3,856	3,753	3,811*	3,818	3,715	118.2*	118.4	115.3
Mining	34*	33	35	34*	34	36	70.6*	70.8	74.8
Contract construction	216*	202	194	206*	205	196	112.0*	111.2	106.7
Transportation	141*	140	140	137*	137	138	85.3*	85.4	85.4
Public Utilities	102*	102	101	101*	101	101	100.7*	100.4	99.8
Wholesale trade	265*	265	259	264*	265	258	119.2*	119.3	116.3
Retail trade	884	897	866	864	867	836	120.4	120.9	116.5
Finance, insurance & real estate	275	276	265	276	277	266	126.8	127.1	122.4
Service & miscellaneous	1,253	1,253	1,202	1,248	1,252	1,202	144.7	145.2	139.3
Federal government	137	137	138	138	138	139	107.7	107.6	108.4
State & local government	553*	551	554	543*	543	546	93.1*	93.2	93.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,035*	1,032	1,072	1,033	1,034	1,074	77.0*	77.1	80.1
Durable goods	582*	582	615	582*	583	617	71.9*	72.1	76.2
Nondurable goods	453*	451	457	451*	450	457	84.8*	84.6	85.9
Ave. w.dy. hrs. worked by prod. workers	40.8	41.2	41.0	40.4	40.9	40.7	102.1	103.4	103.0
Total wkly. person-hours worked (mils.)	28.4	28.6	29.8	28.0	28.4	29.6	73.0	74.1	77.2
Total wkly. payroll (mil. dols.)	278.2*	282.4	290.7	274.0*	278.0	286.2	122.0*	123.7	127.4
Steel production (thous. tons)	554	506	845	n.a.	n.a.	n.a.	28.0	28.6	47.8
Industrial electric power sales (mil. kwh)	3,193	3,404	3,416	3,321	3,491	3,499	89.9	94.5	94.7
Mining									
Anthracite coal (thous. net tons)	373	340	396	351	323	387	71.9	66.2	79.3
Bituminous coal (thous. net tons)	4,073	n.a.	4,181†	4,777	n.a.	4,782†	67.7	n.a.	67.8†
Construction contracts awarded (mil. dols.)									
Total	567.0	553.2	526.4*	619.5	645.4	622.0	192.6	200.6	193.3*
Residential building	240.1	247.7	209.3*	292.3	323.3	272.4	207.7	229.7	193.5
Nonresidential building	254.2	152.9	167.5*	232.2	179.2	202.2	214.0	165.2	186.4
Nonbuilding (utilities and public works)	72.7	152.6	149.6*	95.0	142.9	147.4	131.1	197.1	203.4
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,229	5,182	5,139	5,140	5,165	5,122	107.0	107.5	106.6
Unemployed									
No. of persons (thous.)	332	256	405	346	275	423	86.4	68.5	105.5
Rate (percentage of labor force)	6.0	4.7	7.3						
Rate, seasonally adjusted				6.3	5.1	7.8			
Civilian labor force, no. of persons (thous.)	5,561	5,439	5,544	5,486	5,439	5,545	105.4	104.5	106.5
Initial claims for unemployment benefits	97,352	155,335	175,766	98,340	104,657	115,501	68.7	73.1	80.7

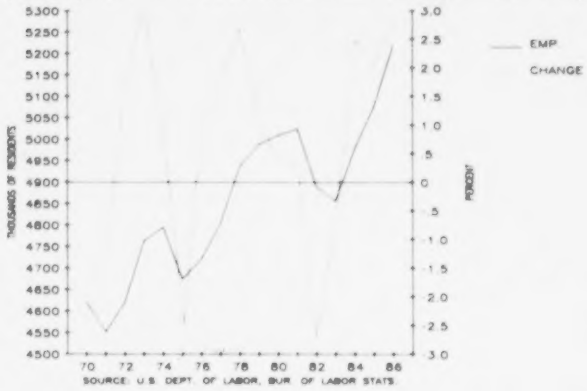
Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985	*Month Ago*	*Year Ago*
	Oct.	*Nov.*	*Nov.*		
U.S. city average	330.8	331.1	327.4	+0.1	+1.1
Philadelphia	324.1	325.2	319.7	+0.3	+1.7
Pittsburgh	n.a.	333.0	331.5	n.a.	+0.5
Northeast PA	313.5	n.a.	310.6†	n.a.	+0.9

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for November 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

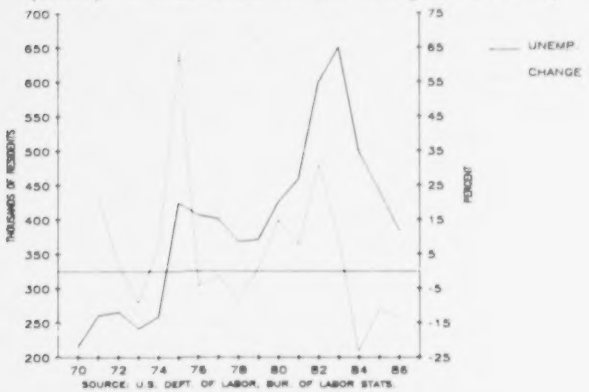
PA LABOR FORCE AND ANNUAL RATES OF CHANGE
(labor force in thousands; annual change in percent)



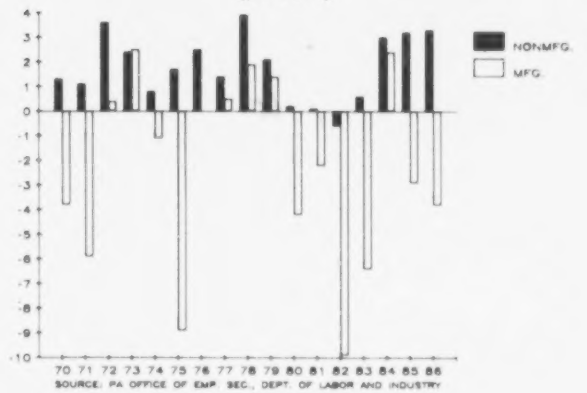
PA EMPLOYMENT AND ANNUAL RATES OF CHANGE
(employment in thousands; annual change in percent)



PA UNEMPLOYMENT AND ANNUAL RATES OF CHANGE
(unemp. in thousands; annual change in percent)



PA NONAGRICULTURAL JOB GROWTH
(percent)



The overall strength in Pennsylvania's service-producing industries trails the nation's. The 3.2 percent job gain in the Commonwealth for 1986 falls 0.3 percentage point below the nation's gain. However, in the largest category, services, job gains were in line with U.S. trends. A strong performance on the retail sales front helped push job gains in the trade sector above the national average. But again, the Commonwealth's performance relative to the most recent peak and trough of the business cycle leaves much to be desired.

Mining activity continues on a downward trend. The 34,400 positions in 1986 represent a low over a period stretching back to 1962 when comparable data were first kept. Output of bituminous coal, which is mostly used in the generation of electricity and steelmaking, peaked in 1979. Since then, it has declined in six of seven years. Production figures for anthracite coal, which is mainly used in home heating, go back to 1963 and show a steady decline.

Difficulties in manufacturing prevented the economy from realizing higher growth. A record low 1.05 million jobs were maintained, down 3.8 percent from 1985. Durable goods producers cut 5.3 percent of their jobs compared to a 1.7 percent fall for nondurables. Only one durable goods industry, lumber and wood products, showed a job increase, but that category is very small with only 26,000 jobs. The big losers were the three largest industries: primary metals, machinery, and electronic equipment. The decline in nondurables jobs was concentrated in the largest industry, apparel and textiles.

Output from Pennsylvania steel mills fell again in 1986 to an average of 796,000 tons per month, a record low. The USX work stoppage helped keep production down, but during the first seven months of the year, before the strike occurred, output averaged 963,000 tons, the second lowest level on record.

Foreign competition has contributed to manufacturing's sluggishness. However, **most evidence suggests that Pennsylvania is operating at a competitive disadvantage relative to the rest of the U.S.** We are losing jobs to other states as well as abroad. Factors which *may* be contributing to this trend have to do with costs, the regulatory climate, and the infrastructure network. Gains in productivity and efficiency have also put downward pressure on manufacturing job totals. Manufacturers can produce more goods with fewer workers.

Manufacturing's problems appear to be more severe in Pennsylvania than in the U.S. economy as a whole. The job performance in 1986 in both the durable and nondurable goods industries failed to match national growth levels. For instance, Pennsylvania's nondurable goods job loss is even more discouraging in light of a 0.6 percent national advance. Job levels in the U.S. are up by 3.1 percent from the 1982/1983 average, while Pennsylvania factories employ fewer workers. The Commonwealth's shortfall relative to 1979 is about three times larger than that for the U.S.

Although the average factory workweek continues to expand from the recessions of the early 1980s, it is not approaching levels which would dictate the hiring of additional workers. Total hours worked, factory payrolls, and industrial electric power sales each fell in 1986. Power sales are a good indicator of industrial production. The behavior of this output measure of manufacturing activity is much more positive than that for the job data. In other words, **despite heavy job losses, manufacturing output has probably at least held its own.**

Nonagricultural job levels rose 1.8 percent last year to 4.82 million, a record high, as nonmanufacturing's gains more than offset manufacturing's losses. Pennsylvania's gain fell short of the nation's 2.6 percent advance. Many analysts regard the establishment data, because of the larger sample size, as a better indicator of employment trends than the resident figures.

Several trends and developments at the national level will help determine the U.S. economy's performance next year. The reaction of the business and consumer sectors to the new tax laws will play a role. Although a narrowing of the budget deficit should help push interest rates down, cuts in government spending will diminish the demand for final goods and services, acting to pull down overall growth. Our foreign trade deficit will play a major role in determining the near-term performance of the economy. Improvements in the imbalance should give U.S. industry, especially manufacturing, a much-needed boost, although recent declines in the value of the dollar relative to many other currencies have not yet translated into much improvement in the trade picture.

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States		
	Mo. Ave.		Pct. change from 82/83			Pct. change from 82/83		
	1986	1985	1985	ave	1979	1985	ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	4,822	4,739	1.8	5.8	0.1	2.6	11.4	11.5
Manufacturing	1,048	1,089	-3.8	-7.5	-24.4	-0.7	3.1	-8.8
Durable goods	595	628	-5.3	-9.0	-30.3	-1.5	4.2	-11.1
Primary metals	91	104	-12.5	-30.8	-55.4	-5.5	-12.4	-38.8
Nondurable goods	453	461	-1.7	-5.5	-15.0	0.6	1.6	-5.3
Nonmanufacturing	3,767	3,647	3.3	10.2	10.2	3.4	13.6	17.7
Mining	34	36	-5.6	-20.0	-34.6	-14.8	-23.8	-17.3
Construction	201	190	5.8	20.4	-1.5	5.8	26.3	11.2
Service-producing industries	3,531	3,421	3.2	10.0	11.6	3.5	13.5	18.7
Transportation and public utilities	238	239	-0.4	-2.7	-12.5	0.8	5.3	2.9
Wholesale trade	260	254	2.4	8.1	8.8	2.0	11.0	12.5
Retail trade	852	815	4.5	14.2	13.1	3.5	16.8	19.9
Finance, insurance, and real estate	273	262	4.2	13.0	16.7	5.9	16.6	26.7
Services and miscellaneous	1,230	1,171	5.0	16.1	30.3	5.0	19.1	34.8
Federal government	138	138	0.0	3.8	5.3	0.8	5.2	4.5
State and local government	541	542	-0.2	-0.8	-8.3	2.2	5.7	5.0
Ave. wkly. hours worked by production workers								
All manufacturing industries	40.3	39.9	1.0	3.9	1.0	0.5	3.0	1.2
Durable goods	41.1	41.0	0.2	3.5	-0.2	0.5	3.5	1.5
Primary metals	40.8	40.7	0.2	6.7	-1.4	1.2	6.2	1.4
Nondurable goods	39.2	38.6	1.6	4.1	3.4	0.8	2.6	1.5
Total factory person-hours worked (mils.)	28.5	29.5	-3.4	-4.7	-28.2	-0.3	6.2	-12.4
Total factory payrolls (mil. dols.)	277	283	-2.1	5.3	0.0	1.9	19.5	27.5
Steel production (thou. tons)	796	1,003	-20.6	-20.1	-66.1	-8.8	1.1	-41.0
Industrial electric power sales (mil. kwh)	3,453	3,510	-1.6	3.1	-12.7	-0.5	7.9	-2.5
Mining								
Anthracite coal (thou. net tons)[1]	313	392	-20.2	-13.4	-22.3			
Bituminous coal (thou. net tons)	4,833	5,045	-4.2	-17.4	-35.0	41.1	48.8	44.4
Construction contracts awarded								
Total, current dollars (mils.)	708.2	584.0	21.3	80.0	83.7	4.7	39.1	44.4
Residential building	311.3	255.5	21.8	98.9	85.5	11.0	57.9	61.8
Nonresidential building	218.4	195.0	12.0	49.5	61.2	-2.2	33.4	61.9
Nonbuilding (utilities and public works)	178.5	133.5	33.7	96.6	117.2	2.1	9.9	-5.4
Total, constant 1982 dollars (mils.)[2]	633.4	533.8	18.7	63.3	32.8	2.5	26.2	4.4
Residential building	278.5	233.6	19.2	80.8	34.1	8.6	43.6	16.9
Nonresidential building	195.3	178.2	9.6	35.4	16.5	-4.3	21.0	17.0
Nonbuilding	159.6	122.0	30.8	77.8	56.9	-0.1	-0.4	-31.6
Employed, no. of persons (thous.)	5,219	5,077	2.8	7.1	4.6	2.3	9.4	10.9
Unemployed								
No. of persons (thous.)	384	442	-13.1	-38.5	3.5	-0.9	-23.0	34.2
Rate (percentage of labor force)	6.9	8.0						
Civilian labor force, no. of persons (thous.)	5,603	5,519	1.5	1.9	4.5	2.1	6.3	12.3
Initial claims for unemployment benefits (thous.)	111	126	-11.9	-35.8	-22.9			
Consumer Price Index for All Urban Consumers, all items (1967 = 100)								
U.S. city average						1.9	11.8	51.1
Philadelphia	322.0	314.2	2.5	13.8	50.7			
Pittsburgh	330.2	326.6	1.1	10.7	52.0			
Northeast PA	310.7	306.1	1.5	11.6	47.5			

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

In Pennsylvania, manufacturing will be a key determinant of the economy's future performance. A stabilization in the Commonwealth's fair share of production and jobs appears essential for the economy to grow at a stronger pace. That won't happen over the short-run. Hence, at the most, we can count on a minimal increase in the goods-producing sector's contribution to overall economic growth.

Strength in the service-producing industries should be enough to keep the economy moving ahead at a pace similar to what we experienced in 1986. Until manufacturing can hold its own, it will be hard to do much better than this scenario.

The bulk of all growth will again occur in southeastern Pennsylvania. These areas appear to be in much better shape to cope with manufacturing's difficulties. Furthermore, much of the growth will probably occur in or near urbanized areas.

Given these general observations, we foresee the following trends in 1987:

- Although more manufacturing jobs will be lost, the declines probably won't be as great as 1986's drop.
- Nonmanufacturing will show job gains similar to the 3.3 percent increase registered in 1986. The private-sector service-producing industries will again lead the way. Construction activity will remain high, though the growth rates of last year will probably not be repeated.
- Overall resident employment will hold steady or expand slightly from 1986's record high. The jobless rate will remain in the 6-7 percent range.

Should these trends transpire, **the economic expansion which began near the beginning of 1983 should continue for at least another year.** On the negative side, such a growth path probably will not lead to any noticeable improvement in the Commonwealth's economy relative to the U.S. For that to happen, more balanced growth, across industries and regions, must be achieved.

— William D. Anderson

Announcing . . .

A 15-page study, "Educational Attainment in Pennsylvania," is now available from the College of Business Administration's Center for Regional Business Analysis. Originally summarized in the June 1986 issue of the *Survey*, this study analyzes historical trends in educational attainment levels in the Commonwealth. In addition to overall trends, the study also analyzes developments in various age groups. Specific attention is given to Pennsylvania's standing relative to the nation. It is currently available, free of charge, by writing to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802.

This is the second study released as part of the *Pennsylvania Economic Studies* series. Additional studies will be announced as relevant research results become available.

Housing Permits Report

Although activity seems to have slowed somewhat in the fourth quarter, Pennsylvania's housing industry turned in a solid performance in 1986. All told, 55,401 housing units were estimated to have been authorized, up 27.2 percent from 1985. Of these, 46,332 were for single-family housing, up 33.8 percent. The value of total housing construction in the Commonwealth was up 42.9 percent last year while the value of single-unit construction rose 49.1 percent.

These developments are especially encouraging in light of trends in the U.S. Regardless of how activity is measured, be it the growth in the number of permits authorized or their value, Pennsylvania came out ahead of the U.S. in 1986. On the negative side, growth did slow considerably during the final three months of the year which may be a sign of things to come.

Housing activity is forecast to hold steady nationally, an outlook in line with expectations for Pennsylvania. This will leave the industry operating at a pretty brisk pace in 1987, though the growth rates of 1986 will probably not be realized.

Pennsylvania Housing Units Authorized In Permit Issuing Places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IVQ	12,024	16.5	10,275	18.3
1986:IIIQ	17,867	40.9	14,165	37.5
1986 YTD	55,401	27.2	46,332	33.8

Source: U.S. Dept.of Commerce, Bureau of the Census

Value of Pennsylvania Housing Units Authorized In Permit Issuing Places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IVQ	703,553	30.2	647,290	33.1
1986:IIIQ	978,292	59.4	852,837	60.0
1986 YTD	3,119,769	42.9	2,811,220	49.1

Source: U.S. Dept.of Commerce, Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

Losses in the manufacturing sector continued to rock the Allentown-Bethlehem economy in 1986, keeping overall growth to a minimum. Nonagricultural job growth was held to 0.7 percent, well below the State's 1.8 percent advance. Manufacturing lost 8.9 percent of its jobs. This translates into a decline of 7,800 positions and left job levels at 79,700, the lowest reading since data collection began in 1950. The metropolitan area's three largest manufacturers, apparel products, primary and fabricated metals, and electronic equipment, each realized hefty job losses. A decline in the average factory workweek does not point to any near-term improvement in hiring trends. Electricity sales to industry, a good indicator of industrial production, fell just 1.7 percent, suggesting that the employment situation probably overestimates the true difficulties in the region.

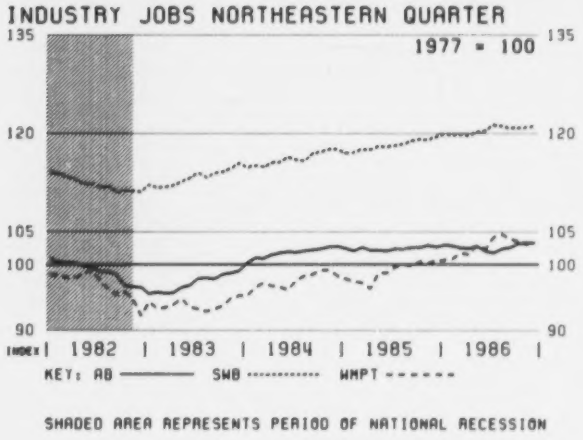
The region's nonmanufacturing sector did its fair share to keep the economy moving forward. A 4.9 percent jump left job levels at 183,500, the highest reading on record and an increase well in excess of the State's 3.3 percent rise. The construction industry added 1,200 workers for a strong 12.4 percent gain. Contract values were up 34 percent on the residential side to $303.3 million. Nonresidential contracts rose 54 percent to $184.7 million. Other big gains were realized in the service-producing industries. Services jobs grew by 6.1 percent, trade by 5.6 percent, and finance-related by 3 percent.

Unemployment in the region fell again in 1986. The jobless rate dropped from 8 to 7.4 percent. However, this is still higher than the State's 6.9 percent reading. Employment of the region's residents did rise to a record high of 292,600, but the increase fell short of the Statewide gain. Much the same is true for the labor force, which also grew sluggishly, albeit to a record high.

In sum, the overall economy's performance in 1986, despite some gains, left considerable room for improvement. Expectations for 1987 suggest a continuation of this trend. Strong population gains as the area absorbs in-migrants from nearby metropolitan regions should help maintain a strong level of nonmanufacturing activity. However, without help from manufacturing, the economy will have difficulty moving to a higher growth track.

Scranton-Wilkes-Barre

Economic conditions improved slightly in 1986 in the Scranton-Wilkes-Barre region but growth remained slow and uneven. Trends on the employment/unemployment front were very similar to those throughout Pennsylvania. Resident employment rose 2.9 percent to a record high 312,100, a gain very much in line with the Commonwealth's 2.8 percent rise. The number of residents counted as unemployed fell 11.6 percent compared to a 13.1 percent decline in Pennsylvania. A 1.5 percent increase in the labor force was identical to the Statewide gain. The end result was a 1.2 percentage point fall in the jobless rate to 8.3 percent.



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Nonmanufacturing contributed greatly to economic growth last year. The number of jobs in these establishments rose by 3.1 percent, only slightly below the 3.3 percent increase throughout Pennsylvania. The 207,700 nonmanufacturing positions represent an all-time high. A good deal of the growth occurred in the service-producing industries where the job increase came in at 2.9 percent.

Construction activity was also on the rise last year. Job levels rose from 10,700 to 11,300. The value of construction contracts awarded for residential projects increased by 11 percent to $228.4 million. Nonresidential contracts were up by 65 percent to $113.7 million.

The bad news comes from manufacturing where a record low 72,600 positions were maintained in 1986, down 1.2 percent from the previous year. Unlike the situation elsewhere, job losses in the nondurable goods industries, at 1.5 percent, were higher than that for durable goods where 0.7 percent of all jobs were lost last year. The region's largest manufacturing industry, apparel products, lost another 900 jobs in 1986. Unfortunately, a fairly low average factory workweek

Allentown-Bethlehem Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	3 Q.'86	4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	292.3	106	106	105
Unemployed, no. of residents	16.1	85	108	129
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	308.4	104	107	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	266.0	103	102	103
Nonmfg. only, no. of jobs	187.9	126	124	120
Mfg. only, no. of jobs	77.9	73	72	79
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	102	102	102
Industrial electric power sales				
Metropolitan area	***	108	108	108
Allentown	***	97	97	101
Bethlehem	***	116	117	114
Easton	***	103	104	104
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	303.3	+34		
Nonresidential contracts only	184.7	+54		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	3 Q.'86	4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	311.7	109	111	107
Lackawanna County[2]	96.1	105	107	104
Luzerne County[3]	144.3	106	108	105
Unemployed, no. of residents				
Metropolitan area	22.7	74	90	95
Rate, seasonally adjusted	7.3			
Lackawanna County[2]	6.2	73	82	81
Luzerne County[3]	12.3	79	93	105
Civilian labor force, no. of residents				
Metropolitan area	334.4	105	109	106
Lackawanna County[2]	102.3	102	105	102
Luzerne County[3]	156.6	103	106	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	282.9	108	108	106
Nonmfg. only, no. of jobs	210.2	118	118	115
Mfg. only, no. of jobs	72.7	87	87	88
Hrs. worked by production workers in mfg., *ave. weekly*	37.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	109	107	101
Lackawanna County[2]	***	121	118	111
Luzerne County[3]	***	96	96	93
Hazleton	***	89	88	84
Wilkes-Barre	***	99	99	98

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	228.4	+11
Nonresidential contracts only	113.7	+65

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

will not put any pressure on hiring activity in the near-term.

This rather dismal job performance probably exaggerates manufacturing's difficulties. Electricity sales to industry, a good barometer of industrial production, appear to be on an upward trend. Hence, it is pretty safe to say that manufacturing output is at least holding steady.

This overall moderate growth path will probably not be improved upon in the near-term. Nonmanufacturing's gains should be enough to get the economy through 1987 with a minimum of difficulties. However, because of manufacturing's problems, growth will continue to be modest and uneven.

Williamsport

Although there is still a fair amount of ground to be made up, the economy of the Williamsport region grew at a brisk pace in 1986. In fact, it provides another good example of just how strong an economy can be with a little help from manufacturing. While Pennsylvania lost 3.8 percent of its manufacturing jobs last year, the Williamsport area realized a 2 percent gain. However, the 15,000 positions in these establishments remain well below pre-recessionary levels. Both the durable and nondurable goods categories showed nice gains. Manufacturing's relative strength is reflected in an 8.2 percent rise in sales of electricity to industrial customers. Furthermore, the average factory workweek rose in the manufacturing sector.

Some of this strength appears to have spilled over into nonmanufacturing where job levels grew by 4.9 percent last year, well in excess of the Statewide gain of 3.3 percent. The 32,300 nonmanufacturing positions in 1986 represent an all-time high. Service-producing jobs grew by a solid 4.5 percent. In the region's largest industry, trade, job levels rose by 600 to 10,600.

Based on the value of contracts awarded, construction activity was up in the region last year. On the residential side, contract values rose 21 percent to $21 million. Nonresidential contracts were valued at $40.1 million in 1986, up by 52 percent from 1985.

The economy's overall strength is reflected in the employment/unemployment data. At 5.3 percent, resident employ-

	Allentown-Bethlehem			Altoona			Beaver		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	263.3	262.9	0.2	50.1	49.1	2.0	52.4	53.5	-2.1
Manufacturing	79.7	87.5	-8.9	11.1	11.1	0.0	11.0	14.0	-21.4
Durable goods	38.0	43.9	-13.4	4.4	4.6	-4.3	8.7	11.8	-26.3
Nondurable goods	41.7	43.6	-4.4	6.7	6.5	3.1	2.3	2.3	0.0
Nonmanufacturing	183.5	175.0	4.9	39.0	38.0	2.6	41.0	39.5	3.8
Ave. wkly. hours worked by production workers									
Manufacturing	38.7	39.2	-1.3	39.2	39.2	0.0	41.0	39.8	3.0
Durable goods	40.2	41.4	-2.9	39.5	39.2	0.8	41.0	39.7	3.3
Nondurable goods	37.4	37.2	0.5	38.9	39.2	-0.8	41.0	40.3	1.7
Industrial electric power sales index (1977 = 100)	106.7	108.5	-1.7	74.3	81.5	-8.8			
Employment of Residents									
Employed, no. of persons (thous.)	292.6	289.5	1.1	53.6	51.9	3.3	57.7	58.0	-0.5
Unemployed									
No. of persons (thous.)	23.4	25.3	-7.5	5.3	5.7	-7.0	8.1	10.2	-20.6
Rate (percentage of labor force)	7.4	8.0		9.0	10.0		12.3	14.9	
Civilian labor force, no. of persons (thous.)	316.1	314.8	0.4	58.9	57.7	2.1	65.8	68.2	-3.5

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

ment growth in the region was the second highest among the State's 15 metropolitan areas, trailing only State College. All told, 51,600 residents, a record high, were counted as employed last year. This gain was strong enough to absorb a solid 3 percent gain in the labor force and reduce the number of unemployed by a startling 23.5 percent. These trends helped lower the jobless rate by 2.4 percentage points to 7 percent, still slightly above the State's 6.9 percent rate.

It is certainly easy to be enthused about the future course of the economy in the Williamsport region. At the least, the economy may follow Statewide trends and show moderate growth in 1987. However, if manufacturing continues to contribute as it did last year, the economy will remain among the fastest growing in the State.

Southwestern Quarter

Altoona

Although many problems persist, Altoona's economy remained on a moderate growth path in 1986. On the positive side, there were relatively solid gains in resident employment and the labor force. All told, 53,600 residents (a record high) were employed last year compared to 51,900 in 1985, a gain of 3.3 percent. Statewide, the gain was 2.8 percent. The region's labor force rose by 2.1 percent in 1986 to 58,900, also a new record. Unemployment remains a problem despite some recent improvements. The number of residents counted as unemployed fell for the third straight year, settling at

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)[1]									
All nonfarm industries	110.2	109.3	0.8	282.8	276.3	2.4	76.8	76.0	1.1
Manufacturing	34.1	36.0	-5.3	50.5	52.1	-3.1	12.4	12.4	0.0
Durable goods	24.0	25.9	-7.3	22.3	24.1	-7.5	7.2	7.0	2.9
Nondurable goods	10.2	10.1	1.0	28.2	28.0	0.7	5.2	5.4	-3.7
Nonmanufacturing	76.1	73.3	3.8	232.2	224.1	3.6	64.4	63.6	1.3
Ave. wkly. hours worked by production workers									
Manufacturing	42.0	42.0	0.0	39.7	39.5	0.5	37.7	37.3	1.1
Durable goods	40.9	41.3	-1.0	40.5	40.0	1.3	39.5	38.8	1.8
Nondurable goods	44.6	44.1	1.1	39.1	39.1	0.0	35.0	35.3	-0.8
Industrial electric power sales index (1977 = 100)	98.5	92.5	6.5	68.8	74.0	-7.0	163.5	148.0	10.5
Employment of Residents									
Employed, no. of persons (thous.)	117.4	115.2	1.9	288.7	278.5	3.7	84.8	83.1	2.0
Unemployed									
No. of persons (thous.)	10.9	10.9	0.0	14.3	16.6	-13.9	10.0	12.1	-17.4
Rate (percentage of labor force)	8.5	8.6		4.7	5.6		10.5	12.7	
Civilian labor force, no. of persons (thous.)	128.3	126.1	1.7	302.9	295.1	2.6	94.9	95.2	-0.3

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Lancaster			Philadelphia			Pittsburgh		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	172.6	165.9	4.0	2,095.1	2,047.8	2.3	862.1	849.9	1.4
Manufacturing	59.2	58.1	1.9	391.4	397.5	-1.5	130.6	139.3	-6.2
Durable goods	33.8	33.6	0.6	209.5	213.7	-2.0	95.4	102.8	-7.2
Nondurable goods	25.4	24.5	3.7	181.9	183.8	-1.0	35.1	36.5	-3.8
Nonmanufacturing	113.4	107.8	5.2	1,700.5	1,649.1	3.1	729.8	709.8	2.8
Ave. wkly. hours worked by production workers									
Manufacturing	40.5	39.9	1.5	40.0	40.1	-0.2	41.0	40.7	0.7
Durable goods	41.2	40.6	1.5	40.7	41.1	-1.0	41.2	40.8	1.0
Nondurable	39.7	39.0	1.8	39.3	39.0	0.8	40.6	40.2	1.0
Industrial electric power sales index (1977 = 100)	129.6	123.7	4.8	101.1	100.3	0.8	58.2	67.2	-13.4
Employment of Residents									
Employed, no. of persons (thous.)	198.5	189.2	4.9	2,221.3	2,157.6	3.0	890.5	868.6	2.5
Unemployed									
No. of persons (thous.)	7.2	8.9	-19.1	122.1	135.8	-10.1	76.2	89.6	-15.0
Rate (percentage of labor force)	3.5	4.5		5.2	5.9		7.9	9.4	
Civilian labor force, no. of persons (thous.)	205.6	198.1	3.8	2,343.4	2,293.4	2.2	966.7	958.2	0.9

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

5,300. That helped bring about a fourth consecutive decline in the jobless rate which fell 1 percentage point to 9 percent, the third highest rate among the State's 15 metropolitan areas.

There were wide discrepencies between the performances of the manufacturing and nonmanufacturing sectors. Job levels in the region's manufacturing industries held steady last year at 11,100. Except for 1983, just as the recession was bottoming out, this represents the lowest level in nearly 30 years. Durable goods producers lost 4.3 percent of their jobs in 1986. Job levels grew by 3.1 percent on the nondurables side. Fairly low average factory workweeks suggest that hiring activity will not rise appreciably. Industrial power sales, a good indicator of industrial production and output, fell 8.8 percent over the course of the year.

The situation was quite different in the nonmanufacturing sector where job levels rose by 2.6 percent to 39,000, only slightly below the record high of 39,200 set in 1978. In the service-producing category, job growth came in at 2.5 percent last year, well below the Commonwealth's 3.2 percent advance. In the largest industry, trade, job growth totaled 6.4 percent as 900 new positions were added.

Based on the value of contracts awarded, construction activity in the region was somewhat disappointing relative to trends in the State as a whole. Residential contract values actually fell 20 percent to $18.6 million in 1986. On the nonresidential side, there was just a slight 7 percent gain to $17.6 million.

	Reading			Scranton-Wilkes-Barre			Sharon		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	143.9	142.3	1.1	280.4	275.2	1.9	40.4	40.0	1.0
Manufacturing	48.4	50.4	-4.0	72.6	73.5	-1.2	9.7	10.3	-5.8
Durable goods	28.7	30.8	-6.8	28.1	28.3	-0.7	8.5	9.0	-5.6
Nondurable goods	19.7	19.5	1.0	44.5	45.2	-1.5	1.3	1.3	0.0
Nonmanufacturing	95.5	91.9	3.9	207.7	201.5	3.1	30.7	29.7	3.4
Ave. wkly. hours worked by production workers									
Manufacturing	40.4	40.2	0.5	37.8	38.2	-1.0			
Durable goods	41.4	41.1	0.7	40.4	41.4	-2.4			
Nondurable goods	39.1	38.8	0.8	36.3	36.4	-0.3			
Industrial electric power sales index (1977 = 100)	127.6	123.7	3.2	106.5	101.3	5.1	100.1	101.7	-1.6
Employment of Residents									
Employed, no. of persons (thous.)	157.2	153.7	2.3	312.1	303.4	2.9	45.7	44.4	2.9
Unemployed									
No. of persons (thous.)	10.7	12.1	-11.6	28.3	32.0	-11.6	4.1	4.9	-16.3
Rate (percentage of labor force)	6.4	7.3		8.3	9.5		8.2	9.9	
Civilian labor force, no. of persons (thous.)	167.5	165.8	1.0	340.5	335.5	1.5	49.8	49.2	1.2

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

	State College			Williamsport			York		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	50.5	49.4	2.2	47.3	45.5	4.0	164.1	161.3	1.7
Manufacturing	7.7	7.8	-1.3	15.0	14.7	2.0	57.6	58.8	-2.0
Durable goods	5.1	5.1	0.0	8.7	8.5	2.4	35.9	37.1	-3.2
Nondurable goods	2.6	2.6	0.0	6.3	6.1	3.3	21.7	21.7	0.0
Nonmanufacturing	42.8	41.7	2.6	32.3	30.8	4.9	106.3	102.5	3.7
Ave. wkly. hours worked by production workers									
Manufacturing				39.9	39.6	0.8	41.2	40.9	0.7
Durable goods				40.3	40.3	0.0	41.8	41.4	1.0
Nondurable goods				39.5	38.8	1.8	40.3	40.1	0.5
Industrial electric power sales index (1977 = 100)	109.0	100.2	8.8	86.1	79.6	8.2	110.7	104.7	5.7
Employment of Residents									
Employed, no. of persons (thous.)	53.3	50.5	5.5	51.6	49.0	5.3	194.1	188.7	2.9
Unemployed									
No. of persons (thous.)	3.4	4.1	-17.1	3.9	5.1	-23.5	10.8	13.8	-21.7
Rate (percentage of labor force)	6.0	7.5		7.0	9.4		5.3	6.8	
Civilian labor force, no. of persons (thous.)	56.7	54.6	3.8	55.6	54.0	3.0	204.9	202.5	1.2

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

Williamsport Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	51.8	108	112	105
Unemployed, no. of residents	3.2	81	81	104
Rate, seasonally adjusted	6.8			
Civilian labor force, no. of residents	55.0	106	109	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	48.3	104	104	100
Nonmfg. only, no. of jobs	33.4	116	116	112
Mfg. only, no. of jobs	15.0	83	85	82
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	83	86	76
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	21.0	+21		
Nonresidential contracts only	40.1	+52		

[1]Lycoming County

Altoona Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	53.6	102	104	100
Unemployed, no. of residents	4.0	106	124	145
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	57.7	102	105	103
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.7	98	98	97
Nonmfg. only, no. of jobs	39.7	103	103	102
Mfg. only, no. of jobs	11.0	84	84	83
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	72	75	80
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	18.6	−20		
Nonresidential contracts only	17.6	+ 7		

[1]Blair County

There really is no reason to expect overall economic trends to differ much in 1987. Employment will probably continue rising, putting downward pressure on unemployment as nonmanufacturing will lead the way with little, if any, help from manufacturing. However, it is doubtful that growth will be strong enough to improve the region's relative standing, especially with respect to the State's strongest economies in southeastern Pennsylvania.

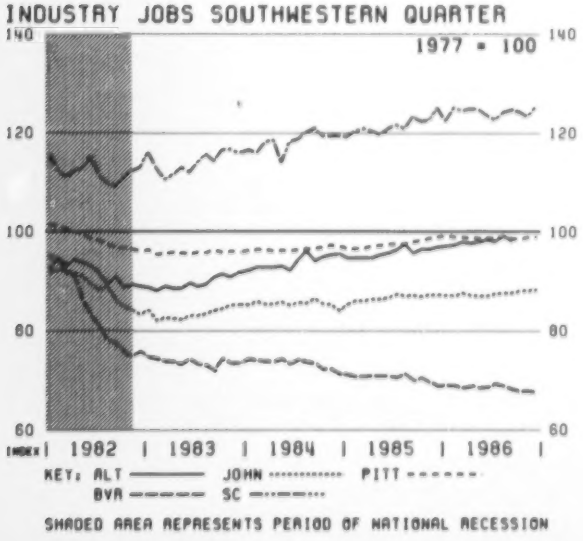
Johnstown

Although some growth took place in the Johnstown economy in 1986, several weak spots remain. Trends in the nonmanufacturing sector were not all that encouraging. Job levels expanded by 1.3 percent in the region, two percentage points below the State's gain. While Pennsylvania as a whole is maintaining a record high number of nonmanufacturing jobs, the 64,400 positions in the two-county area remain below readings for the 1976-1981 period. However, mining appears to be holding this sector back. Job gains in the service-producing area were in line with those in the Commonwealth.

Manufacturing appears to be holding steady, although job levels remain at an all-time low. The 12,400 positions in these industries during 1986 were unchanged from 1985. Surprisingly, durable goods producers realized a 2.9 percent job gain. Primary metals jobs actually rose by a slight 200 over the course of the year. Nondurable goods industries lost 3.7 percent of their jobs last year.

Sales of electricity to industry rose a solid 10.5 percent in 1986. The average factory workweek rose 0.4 hour to 37.7 hours per week. This measure will have to rise considerably before any upward pressure is put on hiring activity.

Employment of the region's residents rose by 2 percent in 1986 to 84,800, the third consecutive annual advance. Coupled with this gain of 1,700 was a decline of 2,100 in the number of residents counted as unemployed. This resulted in a net outflow of 300 from the labor force, hardly a sign



Johnstown Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	84.3	87	88	86
Unemployed, no. of residents	7.2	72	93	111
Rate, seasonally adjusted	8.6			
Civilian labor force, no. of residents	91.5	86	89	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	77.6	88	88	87
Nonmfg. only, no. of jobs	65.3	98	97	96
Mfg. only, no. of jobs	12.3	58	58	58
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	173	167	156
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.3	+26		
Nonresidential contracts only	64.0	+81		

[1]Cambria and Somerset Counties

of a growing economy. Hence, the decline in the jobless rate, from 12.7 to 10.5 percent, is somewhat misleading.

Despite the overall economic weakness in the region, construction activity was on the rise. Contract values rose 26 percent on the residential side and 81 percent on the nonresidential side. An increase of 300 jobs was recorded in the industry in 1986.

It's hard to be too enthused about the future. Gains in the nonmanufacturing sector should enable the economy to creep forward. However, the economy is experiencing great difficulties adjusting to the shrinkage in its manufacturing base which has occurred over the last several years. It is much too optimistic to expect the region to turn into a viable service-producing center in light of difficulties in most goods-producing industries.

Pittsburgh-Beaver Valley

Moderate gains occurred in the economy of the four-county Pittsburgh region in 1986 while Beaver County continued a string of dismal performances. Manufacturing put a damper on overall economic growth. Job levels were off 6.2 percent in the Pittsburgh region last year and by more than one-fifth in Beaver County as they fell to record lows. Primary metals, the largest manufacturing employer in both areas, contributed greatly to the job loss. Manufacturing's weakness is further illustrated in a 13.4 percent decline in sales of electricity to industry in the entire five-county region. On the positive side, the average factory workweek stands at 41 hours. If further increases occur, some upward pressure on hiring trends may appear.

The news is much better on the nonmanufacturing side where the number of jobs rose to their second-highest level on record in Beaver County and to an all-time high in the Pittsburgh region. These gains were not enough to offset manufacturing's losses in Beaver County, resulting in a 2.1 percent job decline in all nonagricultural industries. In Pittsburgh, manufacturing's losses were more than offset and nonagricultural job growth totalled 1.4 percent.

Employment rose for the third straight year in the Pittsburgh region. The 2.5 percent advance was slightly below the Statewide gain of 2.8 percent and left employment levels considerably below their readings from the late 1970s and early 1980s. This helped lower the unemployment rate from 9.4 to 7.9 percent. However, some of that decline is attributable to very weak growth in the labor force. In Beaver County, a 2.6 percentage point drop in the unemployment rate to 12.3 percent does not adequately represent underlying trends. As the rate was falling, employment dipped for the seventh straight year. Hence, the decline was solely the result of a 3.5 percent drop in the labor force.

Construction activity rose in the region, although there were some soft spots. On the residential side, contract values were up one-third in the Pittsburgh region but fell by 9 percent in Beaver County. Just the opposite occurred in the nonresidential category where contract values fell 5 percent in Pittsburgh and rose 31 percent in Beaver County.

It is doubtful that any significant turnaround is at hand in the area. Manufacturing's difficulties are simply sapping too much strength from the overall picture. Moderate gains, at best, will be recorded in 1987.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '86	*4 Q '86*	*3 Q '86*	*4 Q '85*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	892.8	101	103	100
Beaver County	57.9	67	68	66
Unemployed, no. of residents				
Pittsburgh[1]	64.1	107	120	133
Beaver County	6.5	100	102	157
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.2			
Beaver County	10.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	956.9	102	104	102
Beaver County	64.4	69	70	73
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	872.9	99	99	99
Beaver County	53.1	68	69	70
Nonmfg. only, no. of jobs				
Pittsburgh[1]	742.8	113	112	111
Beaver County	42.0	109	108	106
Mfg. only, no. of jobs				
Pittsburgh[1]	126.4	58	58	63
Beaver County	9.7	26	30	33
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.5	n.a.	n.a.	n.a.
Beaver County	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	54	55	65
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	508.8	+33		
Beaver County	21.2	- 9		
Nonresidential contracts only				
Pittsburgh[1]	608.0	- 5		
Beaver County	14.4	+31		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

State College

The State College regional economy solidified its standing as the strongest in western Pennsylvania in 1986. Nearly all indicators suggest that economic growth in Centre County was stronger than in the State as a whole. Perhaps the best news is found on the employment front, where 5.5 percent more residents were working than in 1985, almost double the Commonwealth's gain. This left employment at a record high 53,300 and helped lower the unemployment rate from 7.5 percent in 1985 to 6.0 percent in 1986.

Another bright spot is found in the behavior of the labor force which expanded by a relatively strong 3.8 percent in 1986. Such an increase is usually representative of a growing economy.

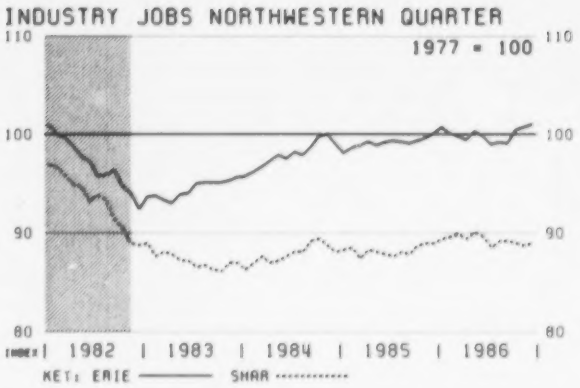
Surprisingly, job gains in the region's nonmanufacturing establishments were not as strong as in all of Pennsylvania (2.6 vs. 3.3 percent). Still, the number of positions in these establishments rose to a record high of 42,800. Jobs in trade, the largest private-sector employer, rose by a slight 100 to 9,200. A solid gain of 500 jobs was recorded in the services category, pushing payrolls up to 8,700 workers.

The construction industry was another strong point in the region's economy in 1986. The value of residential contracts awarded, at $89.3 million, was up 41 percent from 1985.

State College Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	54.0	125	127	121
Unemployed, no. of residents	2.9	113	129	164
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	56.9	124	127	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.0	124	124	123
Nonmfg. only, no. of jobs	44.7	126	124	124
Mfg. only, no. of jobs	7.4	115	121	118
Industrial electric power sales	***	115	109	98
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	89.3	+41		
Nonresidential contracts only	46.5	+74		

[1]Centre County



Even stronger growth occurred on the nonresidential side, where a 74 percent gain left contract values at $46.5 million for the year. The 1,800 jobs in the industry were up 100 from a year ago.

Although it didn't add much to overall growth, the region's manufacturing sector didn't drag the economy down as it did in much of the rest of the State. Job levels settled at 7,700 compared to 7,800 a year ago. Industrial power sales, a fairly reliable indicator of production and output, rose 8.8 percent from 1985.

Overall economic growth should continue at a healthy pace in 1987. Early indications suggest that construction will remain strong. The bulk of all new jobs will again come in the service-producing industries while manufacturers should once again hold relatively steady.

Northwestern Quarter

Erie

The Erie regional economy grew only modestly in 1986, with no prospects for any considerable improvement in the near-term. What gains there were occurred in the nonmanufacturing sector where job levels expanded by 3.8 percent to 76,100, a new record. This growth is even more encouraging in light of the 3.3 percent gain in the State as a whole. As elsewhere in the Commonwealth, a good deal of strength can be found in the service-producing area, where job growth in the two largest industries, trade and services, came in at 3.4 and 5.3 percent, respectively.

Elsewhere in the nonmanufacturing sector, construction also turned in a strong performance. There were 500 more workers in this industry in 1986 compared to the year before. Additionally, contract values rose 25 percent for residential construction and by one-third for nonresidential projects.

Unfortunately, much of the good news stops there. Manufacturers lost workers for the sixth time in seven years. In fact, the 34,100 jobs in these industries represent an all-time low. Job losses were concentrated in the durable goods area where the decline totaled 7.3 percent last year. The number of positions in nondurable goods establishments actually rose by 100 in 1986. A 6.5 percent rise in sales of electricity to industry, a good measure of production trends, suggests that output is probably holding fairly steady.

The weak job performance in manufacturing helped to hold back overall employment growth. Officially, 117,400 residents were counted as employed last year, a gain of 1.9 percent from 1985. Statewide, the employment gain was 2.8 percent. A 1.7 percent increase in the labor force was in line with gains throughout the Commonwealth. The region didn't fare too well on the unemployment front. The jobless rate fell by just 0.1 percentage point to 8.5 percent as the number of unemployed residents held steady at 10,900. These developments are especially disappointing relative to trends elsewhere in the State.

Once again, the region's durable goods manufacturers will prevent the economy from growing at a more satisfactory pace in 1987. On the nondurables side, a relatively high average workweek will probably translate into additional jobs if production increases. Strength in the nonmanufacturing sector,

Erie Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	118.1	104	105	103
Unemployed, no. of residents	9.1	106	129	114
Rate, seasonally adjusted	7.8			
Civilian labor force, no. of residents	127.2	104	107	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	112.1	101	99	100
Nonmfg. only, no. of jobs	78.4	115	113	110
Mfg. only, no. of jobs	33.7	79	78	83
Hrs. worked by production workers in mfg., *ave. weekly*	42.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	99	99	94
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	57.2	+25		
Nonresidential contracts only	52.0	+33		

[1]Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '86	*4 Q '86*	*3 Q '86*	*4 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	45.2	93	95	91
Unemployed, no. of residents	3.6	100	104	113
Rate, seasonally adjusted	8.2			
Civilian labor force, no. of residents	48.8	94	96	93
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.7	89	89	89
Nonmfg. only, no. of jobs	31.5	107	106	104
Mfg. only, no. of jobs	9.2	57	59	62
Industrial electric power sales	***	105	98	102
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	17.9	- 7		
Nonresidential contracts only	22.6	+ 29		

[1]Mercer County

especially in the service-producing industries, will again enable the economy to expand moderately. However, it appears that some improvement in durable goods is necessary for better results.

Sharon

The Sharon regional economy improved slightly in 1986 despite continued weakness in manufacturing. Unfortunately, growth was not strong enough to improve the region's standing relative to the State as a whole. Nonagricultural job growth, at just 1 percent for the year, was below the Statewide gain of 1.8 percent as nonmanufacturing's gains barely offset manufacturing's losses. At 30,700, there were more jobs in the region's nonmanufacturing establishments than at any time since 1981. A 3.4 percent job gain from 1985 is very similar to Pennsylvania's 3.3 percent rise.

However, manufacturing's difficulties kept a lid on overall gains. The number of jobs in these establishments fell for the sixth time in seven years, settling at 9,700, the lowest level since data collection began in 1974. Durable goods producers accounted for all of the decline. The region's largest manufacturer, primary metals, lost 300 more jobs last year.

Construction was a bright spot in the overall economic picture. Job levels rose by 400 to 1,400. The value of contracts awarded for nonresidential construction rose 29 percent. However, contract values were down 7 percent on the residential side. Altoona and Beaver County were the only other regions to realize a decline.

Despite a 1.7 percentage point drop in the unemployment rate to 8.2 percent, it remained well above the State's 6.9 percent reading. Still, a 2.9 percent employment increase was strong enough to absorb a small gain in the labor force and reduce the number of unemployed by 16.3 percent. While much of the rest of the State is maintaining record high levels of employment, the 45,700 residents counted as employed in the Sharon region remain well below levels of the 1970s and the early 1980s.

It is hard to figure out where any additional economic strength will be generated in 1987. Any improvements in manufacturing's performance will be minimal. Nonmanufacturing job growth slowed as 1986 drew to a close. Hence, it appears as if we can expect a continuation of recent trends which implies further modest gains in the region's economy.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

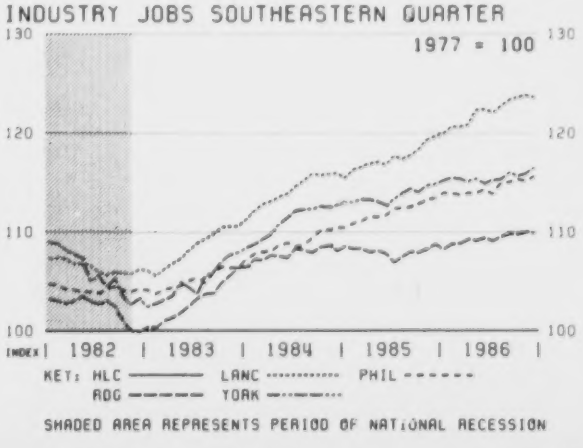
Economic conditions remained strong in the Harrisburg-Lebanon-Carlisle region in 1986 as a string of impressive performances continued despite problems in manufacturing. Job levels in these industries fell for the sixth time in seven years, settling at 50,500, the lowest level since data collection began in 1974. Durable goods producers lost 1,800 positions, most of which came in the electronic equipment and metals industries. On the nondurables side, there were 200 more jobs than the year before. In the largest industry, food and kindred products, 300 positions were added.

Weakness in manufacturing is represented in a 7 percent decline in electricity sales to industry. Furthermore, the fairly low average factory workweek probably will show additional increases before any upward pressure is put on hiring trends.

Gains in nonmanufacturing more than offset these difficulties. The number of jobs in these establishments rose 3.6 percent last year to a record high of 232,200. Job levels have declined in only one year since 1975. The private-sector service-producing industries carried the load. Trade jobs rose by 4.7 percent, services by 5.9 percent, and finance by 6 percent.

Although job levels held steady at 10,200, construction made a strong contribution to the region's economic growth last year. Contracts for residential projects were valued at $228.8 million, up 28 percent from 1985. A 24 percent increase was recorded on the nonresidential side, leaving contract values at $146.2 million.

Solid improvements were also recorded on the employment/unemployment front. Resident employment rose a strong 3.7 percent to a record high level of 288,700. This gain of 10,200 was strong enough to absorb an increase of 7,800 in the labor force and reduce the number of unemployed by 2,300. The end result was a 0.9 percentage point decline in the unemployment rate to 4.7 percent, the second lowest



Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'86	*4 Q.'86*	*3 Q.'86*	*4 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	288.8	114	115	111
Unemployed, no. of residents	10.1	70	91	104
Rate, seasonally adjusted	3.8			
Civilian labor force, no. of residents	298.9	111	114	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	286.4	116	115	114
Nonmfg. only, no. of jobs	235.7	122	122	119
Mfg. only, no. of jobs	50.7	93	92	95
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	72	70	70
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	228.8	+28		
Nonresidential contracts only	146.2	+24		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

among the State's 15 metropolitan areas.

The region's economy shows a great deal of diversification. Manufacturing accounts for only 17.9 percent of all jobs compared to 21.7 percent in the Commonwealth. Furthermore, the nondurable goods industries, which are holding up much better than their durable goods counterparts, play a relatively larger role in the region's economy. Given this, overall economic growth should remain well above Statewide trends in 1987.

Lancaster

Once again, economic activity in the Lancaster region set a standard for others to follow in 1986. The area ranks at or near the top in nearly all measures of economic growth. Unfortunately, the absolute size of the economy is relatively small, so these developments were unable to significantly sway overall trends in Pennsylvania.

At 3.5 percent, the region maintained the lowest jobless rate in the State last year. Employment and the labor force both showed solid gains and rose to record highs in 1986. Resident employment rose 4.9 percent to 198,500 compared to a Statewide gain of 2.8 percent. The labor force rose 3.8 percent to 205,600. Strong gains in the labor force are usually representative of a growing economy.

Although manufacturing jobs rose slightly, the bulk of all new jobs last year were created in the nonmanufacturing sector. All told, the number of positions in these establishments rose 5.2 percent to 113,400, another record high. Construction played a role as 1,000 new jobs were created, pushing employment to 9,400. The value of residential construction contracts rose by 37 percent to $235.7 million. However, perhaps the only negative in the overall economic picture shows up in a 9 percent decline in nonresidential awards to $54.4 million.

Elsewhere in nonmanufacturing, service-producing job growth came in at 4.6 percent, an encouraging sign given the 3.2 percent gain throughout Pennsylvania. The region's largest employer, trade, added 2,100 workers for a 5.3 percent advance. A similar gain was recorded in the services category.

Perhaps the most encouraging news is found in manufacturing. Although the job gains which occurred in nonmanufacturing were not matched, the news coming from Lancaster is certainly welcome. Job levels rose 1.9 percent to 59,200. These gains were concentrated in the nondurables industries, although durable goods producers added 200 workers over the course of the year.

All signs point to continued strong gains in the Lancaster economy in 1987. With manufacturing at least holding its own, growth in the service-producing industries should push the economy to new highs this year. The Lancaster region provides a good example of just how strong an economy can be if manufacturing doesn't subtract from overall economic growth.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'86	*4 Q.'86*	*3 Q.'86*	*4 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	200.5	126	127	121
Unemployed, no. of residents	5.2	68	94	100
Rate, seasonally adjusted	2.9			
Civilian labor force, no. of residents	205.7	123	126	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	176.7	124	123	119
Nonmfg. only, no. of jobs	116.6	136	134	130
Mfg. only, no. of jobs	60.2	106	105	102
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	102	102	101
Industrial electric power sales	***	134	131	126
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	235.7	+37		
Nonresidential contracts only	54.4	– 9		

[1]Lancaster County

Philadelphia

There were some encouraging developments in the eight-county Philadelphia regional economy in 1986. The rate of expansion was quite healthy, but the economy is not really "booming." For instance, nonmanufacturing job levels rose a nice 3.1 percent for the year. This left the number of workers in these establishments at 1.7 million, a record high. Surprisingly, this increase is slightly less than the Statewide gain of 3.3 percent.

Similar to trends throughout the Commonwealth, a good deal of this growth appears to have occurred in the service-producing industries where job growth came in at 2.9 percent. The region's largest industry, services, realized a 4.2 percent gain. Trade, another major employer, had 3.8 percent more workers in 1986 than the year before.

Construction activity was also on the rise last year in the region. Contract values rose 16 percent on the residential side and 2 percent for nonresidential projects. Job levels in the industry rose a solid 7.4 percent to 89,000.

Manufacturing activity was pretty sluggish in the region last year. These establishments maintained 1.5 percent fewer jobs than in 1985. In fact, the 391,400 workers is the second-lowest level on record. On the durables side, the largest industry, electronic equipment, actually employed 300 more

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '86	*4 Q '86*	*3 Q '86*	*4 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	2237.1	117	118	115
Unemployed, no. of residents	99.7	62	68	76
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	2336.9	112	114	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2132.2	115	115	113
Nonmfg. only, no. of jobs	1741.2	125	124	121
Mfg. only, no. of jobs	387.2	87	87	89
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	101	101	102
Industrial electric power sales	***	100	100	102
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1660.2	+ 16		
Nonresidential contracts only	1276.2	+ 2		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '86	*4 Q '86*	*3 Q '86*	*4 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	158.8	114	116	112
Unemployed, no. of residents	6.9	90	116	133
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	165.7	113	116	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	147.1	110	110	108
Nonmfg. only, no. of jobs	98.1	119	119	116
Mfg. only, no. of jobs	49.0	95	94	96
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	105	104	102
Industrial electric power sales	***	130	129	124
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	127.1	+ 35		
Nonresidential contracts only	60.2	+ 98		

[1]Berks County

workers last year. However, another major employer, machinery, lost 3,000 jobs. In nondurables, printing and publishing and chemicals, the two largest industries, both employed more workers in 1986 relative to the previous year. A slight decline in the average factory workweek and a weak rise in sales of electricity to industry provide further evidence of manufacturing's difficulties. However, in that industrial power sales have held fairly steady in recent years, it may be concluded that production is doing the same.

Developments on the employment/unemployment front last year were quite positive. A 3 percent gain in employment to a record high 2.22 million helped lower the number of residents officially counted as unemployed by 10.1 percent. The jobless rate fell 0.7 percentage point to its lowest level since 1970, 5.2 percent. This compares quite favorably with the State's 6.9 percent jobless rate.

The Philadelphia regional economy should continue growing nicely through 1987. Further gains in employment, especially in nonmanufacturing, should depress unemployment even further. Even though the outlook for manufacturing remains cloudy, strength in the construction and service-producing industries should more than offset these difficulties.

Reading

The Reading regional economy followed Statewide trends as nonmanufacturing drove the economy forward at a modest pace despite a considerable amount of weakness in manufacturing in 1986. Job levels in the region's nonmanufacturing establishments rose 3.9 percent to an all-time high of 95,500. This increase is slightly higher than the 3.3 percent gain in all of Pennsylvania. Construction played a significant role in nonmanufacturing's health. In the residential area, contract values rose 35 percent to $127.1 million. Nonresidential values nearly doubled to $60.2 million. Service-producing industries also showed solid growth in 1986 as job levels grew at a 3.7 percent pace. The trade industry added 900 workers over the course of the year, payrolls in the finance-related field grew by 600 workers, and 1,300 additional jobs were created in services establishments.

Strength in these industries was somewhat counteracted by problems in the manufacturing sector. The number of positions in these industries fell by 4 percent in the Reading area, slightly higher than the State's 3.8 percent drop. Losses were concentrated in the durable goods industries where a 6.8 percent job decline occurred. In the region's two largest durable goods industries, electronic equipment and primary metals, the combined job loss came to 1,500 positions. Nondurable goods producers added 200 jobs in 1986.

A general upward trend in electricity sales to industry suggests that production is at least holding steady. Also, should the increases which occurred in the average factory workweek in 1986 continue, hiring activity may increase.

Some improvements were recorded on the employment/unemployment front. Resident employment rose 2.3 percent to a record high of 157,200. This increase equals the national gain but falls somewhat short of the State's 2.8 percent rise. At the same time, the jobless rate dropped 0.9 percentage point to 6.4 percent, slightly below the Commonwealth's 6.9 percent reading.

Until some improvements are realized in the manufacturing sector, it is doubtful that the economy will improve upon this moderate growth scenario. In that these improvements will probably not come overnight, the nonmanufacturing sector will again drive the economy forward in 1987, but at a pace that is less than exciting.

York

Healthy growth characterized the York regional economy in 1986. In fact, most measures suggest that economic activity in this region was stronger than in the State as a whole. At 5.3 percent, the unemployment rate last year was 1.6 percentage points below the Statewide reading. As a result of a 2.9 percent increase, resident employment rose to a record high of 194,100, a gain in line with trends throughout the Commonwealth. Employment's favorable showing was good enough to absorb a relatively small increase in the labor force and reduce the number of unemployed by 21.7 percent.

Nonmanufacturing accounted for all new nonagricultural

jobs last year. The number of positions in these establishments rose 3.7 percent to stand at a record high 106,300. Pennsylvania as a whole managed a 3.3 percent gain. Construction played a role as job levels rose by 400 to 8,500. Furthermore, contract values were up by 18 percent for residential projects and by one-half on the nonresidential side.

Service-producing industries also contributed greatly to nonmanufacturing's job gains. Trade jobs were up by 1,000 in 1986, services by 1,800, and finance-related by 300.

Unfortunately, this strength was somewhat offset by continued problems in the manufacturing sector where job levels sank 2 percent to 57,600. Although this is not a record low, it is the second lowest level in the past 11 years. Statewide, manufacturers lost 3.8 percent of their jobs. Losses were concentrated in the durable goods category. Machinery, the region's largest manufacturing industry, lost 400 jobs in 1986.

However, there is some good news. The average factory workweek rose to over 41 hours last year. If further gains are registered, some upward pressure may be put on hiring activity. Additionally, industrial power sales, a good proxy for production and output, appear to be on a slight upward trend. This suggests that output may be at least holding its own and that the recent difficulties on the job front are exaggerating the sector's problems.

Fairly healthy economic growth, driven by the service-producing industries, should continue in the region through 1987. As elsewhere in the State, manufacturing's performance may improve slightly, but a rebound in this important sector is unlikely. In that this is really the only sour spot, should these industries just stabilize, the region's economy will benefit greatly.

— *William D. Anderson*

York Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	195.0	124	126	122
Unemployed, no. of residents	7.7	92	109	133
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	202.8	122	125	122
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	166.7	116	116	114
Nonmfg. only, no. of jobs	108.7	131	129	127
Mfg. only, no. of jobs	57.7	96	96	98
Hrs. worked by production workers in mfg., *ave. weekly*	41.7	100	100	100
Industrial electric power sales	***	114	110	111

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	141.1	+18
Nonresidential contracts only	68.5	+50

[1]Adams and York Counties

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